



Tax Transparency Report 2021

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Australia Post acknowledges the Traditional Custodians of the land on which we operate, live and gather as employees, and recognises their continuing connection to land, water and community. We pay respect to Elders past, present and emerging.

Introduction

This Tax Transparency Report is published on a voluntary basis as part of our commitment to improved tax disclosure. The report includes information recommended to be disclosed under the Australian Voluntary Tax Transparency Code (TTC). The TTC is a set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information.

Overview

We manage our taxation affairs in accordance with the Group Risk Management Framework. Forming part of the Framework, the Tax Governance Policy outlines the framework and methodology for applying a risk based approach to managing our taxation affairs and our relationship with revenue authorities. We maintain a comprehensive system of corporate governance practices designed to provide appropriate levels of disclosure and accountability. We are committed to providing our stakeholders, customers and communities with transparent disclosure of our tax affairs

Providing greater Tax Transparency

This Tax Transparency Report complies with the standard of disclosure expected of 'large businesses' under the TTC. It includes information in relation to our approach to tax governance and tax risk management and international related party dealings. In addition, this report provides information on the Australia Post Group accounting effective tax rate, the relationship between accounting profit and our income tax liability, and Australian tax contributions and collections. This report should be read in conjunction with the Annual Report for the year ended 30 June 2021 (2021 year).

Improving everyday

We continue to review our Tax Transparency reporting and implement stakeholder feedback together with industry and regulatory developments. We look to maintain and help develop best practice in Tax Transparency reporting to better serve the communities in which we operate.



Approach to tax

In pursuing the Australia Post corporate strategy, we abide by our Tax Governance Policy to ensure full and transparent compliance with all taxation obligations.

Tax Governance Policy

The Australia Post Tax Governance Policy operates as part of the wider Board-approved Group Risk Management Framework.

Tax Governance Principles

The core policy principles outlined in our Tax Governance Policy are that Australia Post will:

- 1. Be 100 per cent compliant** – We will ensure full compliance with all statutory tax obligations and seek to pay the legally correct amount of tax wherever the Australia Post Group operates.
- 2. Maximise shareholder value** – We will manage the tax affairs of the Australia Post Group in a proactive manner and seek to maximise shareholder value in relation to the taxation consequences of implementing the overall group strategy.
- 3. Manage risk** – We will maintain documented policies, procedures and positions in relation to tax risk consequences of business strategy within the Group's Risk Management Framework taking into account the implications for the Australia Post Group's corporate reputation as a trusted iconic brand. All material identified risks and tax exposures will be tracked and reported to the Group Chief Financial Officer and escalated in accordance with approved processes.
- 4. Be open and transparent** – We will maintain an open and honest relationship with Revenue Authorities, the responsible Shareholder Ministers and the general public and will consult appropriately with the Revenue Authorities in accordance with the Tax Code of Conduct and publish an annual Tax Transparency statement as per Board of Taxation guidelines.
- 5. Build assurance** – We will provide the Board, Chief Executive Officer & Managing Director, Group Chief Financial Officer, senior management and other key stakeholders with appropriate reporting on the level of compliance with the Group Tax Governance Policy in respect of the Australia Post Group's management of its tax expense in accordance with this policy.

In accordance with the principles, we apply a risk based approach to key activities in the corporate tax function. We adopt a strong control framework to identify, mitigate and control tax risks and refrain from undertaking aggressive tax planning. We proactively manage our business and tax affairs in accordance with the Group Tax Governance Policy.

By applying the Tax Governance Principles our tax risk appetite is consistent with the Group Risk Appetite Statement.

The Tax Risk Management Framework expands on the principles outlined in the Tax Governance Policy. It contains a framework for its implementation within the Australia Post Group to ensure that the principles are translated into practice in a methodical and structured manner. The Tax Risk Management Framework has been designed to be congruent with the Group Risk Management Framework.





ATO Justified Trust and Assurance Report

We strive to maintain collaborative and trusted relationships with the ATO and other revenue authorities and we are committed to full compliance and transparent disclosure with respect to our tax affairs. We participate in an annual Pre-Lodgement Compliance Review Program with the ATO and continue to adopt real-time communication with tax authorities.

Australia Post is a Top 100 public and multinational taxpayer in Australia and has been categorised as a 'key taxpayer' for the 2020 year. At the time of publishing this report, Australia Post has not been notified of a 'key taxpayer' categorisation for 2021. This information does not become available until after the 2021 income tax return is lodged with the ATO.

Under its Key Taxpayer Engagement approach, the ATO seeks to establish 'Justified Trust' on an evidence-based approach to:

- Understand a taxpayer's Tax Governance framework, significant and new transactions and why the accounting and tax results vary.
- Identify tax risks flagged to the market.

The ATO's review of the Australia Post Group under the Justified Trust approach has been completed for the 2019 income year and is in progress for the 2020 income year.

The ATO has attained an overall provisional high level of assurance over Australia Post's economic and income tax affairs and, therefore, has provisional Justified Trust in our income tax compliance for the 2019 income year.

The high assurance (justified trust) overall rating is provisional because Tax Governance has been rated as provisional Stage 2. Australia Post's objective is to facilitate the ATO achieving a high level of Justified Trust. Doing so means the ATO will have obtained the highest degree of assurance that Australia Post has paid the 'right' amount of Australian tax.

International related parties

We have been investing in our international subsidiaries and partnerships to strengthen our warehousing and international freight-forwarding capabilities in various international markets. This is part of our strategy for future growth as an eCommerce business.

Our international related party dealings generated less than 1% of our consolidated revenue in the 2021 year. Our dealings with these international related parties are conducted in a manner consistent with the arm's length principle and reflect the commercial nature of the transactions.

Tax reconciliations

The reconciliation of accounting profit to income tax expense and tax payable, as described in the 2021 Annual Report.

Income tax expense reconciliation

	2021 \$m	2020 \$m
Accounting profit before income tax	100.7	53.6
At the Australian statutory tax rate (30%)	30.2	16.1
Adjustments relating to prior years	0.6	(1.0)
CGT impact of property disposals	(0.6)	(8.9)
Accounting impact of investment revaluations	2.9	0.6
Adjustments relating to overseas subsidiaries:		
- Utilisation of prior year losses	(1.3)	-
- Tax rate differential	(0.6)	-
Goodwill impairment	-	3.1
Sundry items	(0.1)	0.8
Income tax expense	31.1	10.7

Effective tax rate

	2021 \$m	2020 \$m
Profit from ordinary activities before income tax expense	100.7	53.6
Less: Post-tax share of results of equity accounted investments	(1.4)	(1.9)
(A) Adjusted profit before income tax expense	99.2	51.7
(B) Income tax expense	31.1	10.7
Effective tax rate (B/A)	31%	21%

Reconciliation of income tax expense to current tax liability

	2021 \$m	2020 \$m
Income tax expense in the consolidated income statement	31.1	10.7
Add/(subtract):		
Deferred tax assets and liabilities charged to income	47.4	21.1
Adjustments relating to prior years (income tax expense impact)	(0.6)	1.0
Current tax expense included in income tax expense	77.9	32.8
Add/(subtract):		
Net opening balance carried forward	-	(16.9)
Income tax payments	(47.8)	(12.2)
Adjustments relating to prior years (current tax impact)	0.4	(3.8)
Other	(0.1)	0.1
Net current tax liability	30.4	-

Australian taxes borne and collected

Contributions and collections of Australian taxes and duties to Federal and State Governments.

Australian taxes borne and collections on behalf of Governments

Australian taxes and duties borne

	2021 \$m	2020 \$m
Income Tax	47.2	12.6
GST (net GST paid)	306.9	289.6
Payroll Tax	159.3	123.7
Fringe Benefits Tax	4.5	5.3
Land Tax	19.8	21.6
Rates and registrations	20.4	17.7
Federal excise duty	12.3	10.1
Total	570.4	480.6

Australian taxes collected on behalf of Governments

	2021 \$m	2020 \$m
GST	733.1	662.2
PAYG Withholding	644.4	661.2
Total	1,377.5	1,323.4

Basis of preparation

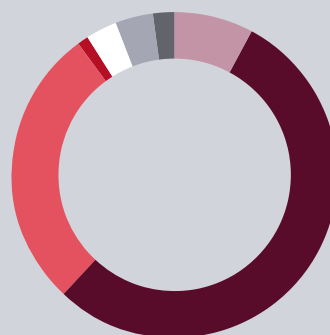
Tax payments are presented on a cash paid basis for the year ended 30 June 2021 for all Australian Operations. Those tax payments made by entities accounted for as equity investments and entities domiciled outside of Australia are excluded. Consistent with the Annual Report, comparative information has been adjusted, where required, for consistency with the current year's presentation.

Glossary

ATO	Australian Taxation Office
CGT	Capital Gains Tax
FTC	Fuel Tax Credits
GST	Goods and Services Tax
PAYG	Pay as You Go
TTC	Tax Transparency Code

Taxes and duties borne

■ GST (net GST paid)	54%
■ Payroll Tax	28%
■ Income Tax	8%
■ Rates and Registrations	4%
■ Land Tax	3%
■ Federal Excise Duty	2%
■ Fringe Benefits Tax	1%



Taxes collected

■ GST	53%
■ Employee withholding	47%

